

THE VIRGINIA BOARD OF ACCOUNTANCY

MEETING MINUTES

The Virginia Board of Accountancy (Board) met on Friday, February 6, 2004, in Salon III at the Holiday Inn-Richmond, 6531 West Broad Street, Richmond, Virginia 23230.

The following Board members present for the entire meeting were:

Barbara S. Pocalyko, CPA, Chairman
Howard L. Rogers, Vice Chairman
Ellis M. Dunkum, CPA, Past Chairman
Harry D. Dickinson, Ph.D., CPA
Stephen D. Holton, CPA
O. Whitfield Broome, Ph.D., CPA

The Board member absent for the entire meeting was:

Jane M. Little, CPA

The Board staff present for the entire meeting included:

Nancy Taylor Feldman, Executive Director
Mark D'Amato, Administrative Staff Assistant

Also in attendance for the entire meeting was:

Howard T. Macrae, Jr., Assistant Attorney General

Also in attendance for a portion of the meeting was:

Joseph Brown, National Society of Accountants
Erin Collins, Government Affairs Team Leader, Virginia Society of Certified Public Accountants
Emily Paxton, Regulatory Specialist, Virginia Society of Certified Public Accountants
Stephanie Peters, Vice President, Virginia Society of Certified Public Accountants
Richard Pontynen, Chairman, Board of Directors, Virginia Society of Certified Public Accountants

Chairman Pocalyko called the meeting to order at 10:10 a.m. She welcomed those in attendance to the meeting.

Call to Order

Chairman Pocalyko determined that a quorum was present.

Determination of Quorum

Upon a motion by Mr. Dunkum, and seconded by Dr. Broome, the Board approved by unanimous vote the agenda. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

Approval of Agenda

The Board’s Final Agenda was as follows:

Call to Order
Determination of Quorum
Approval of Agenda
Public Comment Period

A. Approval of Minutes from December 18, 2003 and January 6, 2004 Board Meetings

B. Committee Reports:

1. Enforcement

Harry D. Dickinson, Ph.D., CPA, Committee Chairman

a. Meetings – (November 13 and 21, 2003, and December 16 and 18, 2003)

b. Cases – File Number 2003-D09 (Board v. Crose)

2. Administrative/Personnel/Finance

Stephen D. Holton, CPA, Committee Chairman

3. Legislative/Regulatory

Ellis M. Dunkum, CPA, Committee Chairman

a. Legislative Update

b. Regulatory Review

(1) Emergency Separated Package 1 – Status Report

(2) Emergency Separated Package 2 – Status Report

(3) Emergency Changes to Separated Package 2 – Status

(4) CPE Sponsor Registration Regulations – Final Action

4. Public Relations

Jane M. Little, CPA, Committee Chairman

5. Education/Examination

O. Whitfield Broome, Ph.D., CPA, Committee Chairman

6. Strategic Planning

Howard L. Rogers, Committee Chairman

7. Executive

Barbara S. Pocalyko, CPA, Committee Chairman

C. Old Business:

1. Board/CPAES Exam Contract Modification Agreement

2. VITA Transition Update

Recess for Board and Staff Luncheon

Reconvene

D. New Business:

1. Question Related to CBT Provision
2. Ethics CPE Course – Professional Education Services, LP – Request for Approval
3. Foreign Credentials Service of America – Request for Approval
4. CPA Consultant
Ellis M. Dunkum, CPA, Board member

E. Board Reports:

1. Statistics
 - a. Applications Processed
 - b. CPA License Holders and Firm Registrations Monthly Totals
 - c. Complaints Processed
 - d. CPE Report
2. Financial
 - a. FY 2004 – Period ending December 31, 2003

F. Future Meetings

Sign Conflict of Interest Forms
Complete Travel Expense Vouchers

Adjournment

Chairman Pocalyko opened the floor for public comment.

Public Comment **Period**

The following attendees introduced themselves to the Board: Mr. Brown, with the National Society of Accountants (NSA), Ms. Collins, the Government Affairs Team Leader with the Virginia Society of Certified Public Accountants (VSCPA), Ms. Paxton, the Regulatory Specialist with the VSCPA, Ms. Peters, the Vice President of the VSCPA, and Mr. Pontynen, the Chairman of Board of Directors of the VSCPA.

With no members of the public wishing to address the Board about an issue of concern to them, the Chairman moved to the next item of business.

Upon a motion by Dr. Dickinson, and seconded by Mr. Holton, the Board approved by unanimous vote the minutes from the Board meeting on December 18, 2003 as amended. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

A. Approval of Minutes from December 18, 2003 and January 6, 2004 Board Meetings

Upon a motion by Dr. Dickinson, and seconded by Dr. Broome, the Board agreed by unanimous vote to defer approval of the minutes from the Board meeting on January 6, 2004 until the Board meeting in May. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

Dr. Dickinson reviewed the Committee Reports for meetings of the Enforcement Committee on November 13 and 21, 2003, and December 16 and 18, 2003 with the other members. The Board took no action on the reports.

B. Committee Reports:
1. Enforcement – Harry D. Dickinson, Ph.D., CPA, Committee Chairman
a. Meetings (November 13 and 21, 2003, and December 16 and 18, 2003)

Dr. Dickinson also stated that the Enforcement Committee wanted to discuss a general enforcement issue mentioned in one of the reports not related to a specific case with the Board’s legal counsel in a closed meeting. The Board decided to take up agenda item B.1.b. before going into a closed meeting.

In the matter of **File Number 2003-D09, Board v. Crose**, the Board reviewed the Enforcement Committee Report, consisting of the Committee’s proposed findings of fact, conclusions of law, and sanctions, which was to be offered to Ms. Crose. Ms. Crose was not present at the meeting, nor was she represented by her attorney.

b. Cases: File Number 2003-D09 (Board v. Crose)

Upon a motion by Mr. Dunkum, and seconded by Dr. Broome, the Board agreed by unanimous vote to accept the findings of fact, the conclusions of law, and the sanctions of the Enforcement Committee Report dated October 16, 2003. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Mr. Holton, and Dr. Broome. Dr. Dickinson was in the room during the discussion, and did not take part in the vote.

Mr. Macrae told that Board that the Enforcement Committee had requested legal advice, and he was prepared to inform the members

about what he had learned.

Upon a motion by Dr. Broome, and seconded by Mr. Holton, the Board approved by unanimous vote that the meeting be recessed and that the Board immediately reconvene in closed meeting for the purpose of consultation with the Board counsel pertaining to legal matters within the jurisdiction of the Board as permitted by § 2.2-3711.A.7 of the *Code of Virginia*. The following non-members will be in attendance to reasonably aid the consideration of the topic: **Mr. Macrae, Ms. Feldman, and Mr. D'Amato**. The members voting "AYE" were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton, and Dr. Broome.

Begin Closed Meeting

This motion is made with respect to the matter identified as agenda item: **B. 1. a. Meetings (November 13 and 21, 2003, and December 16 and 18, 2003)**.

Upon a motion by Dr. Broome, and seconded by Mr. Holton, the Board approved by unanimous vote that the closed meeting, as authorized by § 2.2-3711.A.7 of the *Code of Virginia*, be adjourned and that the Board immediately reconvene in open public meeting. The members voting "AYE" were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

End Closed Meeting

Upon a motion by Dr. Broome, and seconded by Mr. Holton, the Board made the following certification:

Certificate of Closed Meeting

WHEREAS, the Board of Accountancy has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 A of the *Code of Virginia* requires a certification by this Board of Accountancy that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Board of Accountancy hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies and (ii)

only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board of Accountancy.

CALL FOR VOTE:

Barbara S. Pocalyko, CPA – Aye
Howard L. Rogers – Aye
Ellis M. Dunkum, CPA- Aye
Harry D. Dickinson, Ph.D., CPA – Aye
Jane M. Little, CPA – Absent
Stephen D. Holton, CPA – Aye
O. Whitfield Broome, Ph.D., CPA – Aye

VOTE

AYES: Six (6)

NAYS: None.

ABSENT DURING VOTE: Ms. Little.

ABSENT DURING MEETING: Ms. Little.

The Board again reviewed **File Number 2003-D09, Board v. Crose.**

Upon a motion by Mr. Dunkum, and seconded by Mr. Holton, the Board agreed by unanimous vote to accept the findings of fact, the conclusions of law, and the sanctions of the Enforcement Committee Report dated October 16, 2003 as amended. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Mr. Holton, and Dr. Broome. Dr. Dickinson was in the room during the discussion, and did not take part in the vote.

**b. Cases: File
Number 2003-D09
(Board v. Crose)
(Cont’d)**

The Board recessed from 11:20 a.m. to 11:25 a.m.

Board Recess

Mr. Dunkum reviewed the progress of the Board’s legislation (known

3. Legislative/

as Senate Bill 539). The Senate Committee on General Laws had voted the bill out of committee with amendments concerning the exemptions of the Board from certain provisions of the Administration Process Act (APA), and of graduates from the National College of Business Technology (NCBT) to be admitted to the CPA exam. The members expressed concern about two issues that were brought up by the latter amendment: (i) the special exemption given to the NCBT, which seems unfair, and (ii) the Board's definition of accreditation.

Upon a motion by Mr. Dunkum, and seconded by Dr. Dickinson, the Board agreed by unanimous vote that the Board should postpone any action on the NCBT exemption. The members voting "AYE" were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton, and Dr. Broome.

The Board was informed that the new requirements for the computer-based CPA exam and the 2 continuing professional education (CPE) credits in Ethics were effective on December 15, 2003. The Notice of Intended Regulatory Action (NOIRA) for these two regulatory changes was filed with the Virginia Registrar, and was to be published January 26, 2004. The 30-day comment period was to end on February 25, 2004.

The Board was informed that the Board counsel, Mr. Macrae, had issued a Letter of Assurance for the Emergency Separated Package 2, and the Attorney General had issued his advisory opinion on January 19, 2004 stating that the regulations are properly submitted as Emergency Regulations as defined in § 2.2-4011 (A)(ii) of the *Code of Virginia* pursuant to the authority granted to the Board under Chapter 291 of the 2003 Acts of the Virginia General Assembly. The Board was told that the Emergency Regulations Separated Package 2 might be effective March 1, 2004, based upon the required deadlines.

The Board was informed that the changes to the Emergency Separated Package 2, which had been approved as Emergency Separated Package 3, were incorporated into Package 2.

The Board was informed that the documents had been prepared to submit the repeal of the Continuing Professional Education (CPE) Sponsor Registration Regulations as a final action.

Upon a motion by Mr. Dunkum, and seconded by Dr. Dickinson, the Board by unanimous vote acknowledged the reception of the single

**Regulatory – Ellis
M. Dunkum, CPA,
Committee
Chairman
a. Legislative
Update**

**b. Regulatory
Review:
(1) Emergency
Separated Package
1 – Status Report**

**(2) Emergency
Separated Package
2 – Status Report**

**(3) Emergency
Changes to
Separated Package
2 – Status Report**

**(4) CPE Sponsor
Registration
Regulations – Final
Action**

positive comment from the Proposed Action Public Comment and approved the filing of the repeal of the CPE Sponsor Registration Regulations as a Final Action. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

The Board recessed from 11:55 a.m. to 1:03 p.m. for a luncheon.

**Recess for Board
and Staff Luncheon**

Mr. Holton informed the other members of the need to go into Executive Closed Session in order to discuss personnel matters, which were reviewed at the Administrative/Personnel/Finance Committee meeting on February 4, 2004.

**B. Committee
Reports (cont'd):
2. Administrative/
Personnel/Finance –
Stephen D. Holton,
CPA, Committee
Chairman**

Upon a motion by Dr. Broome, and seconded by Dr. Dickinson, the Board approved by unanimous vote that the meeting be recessed and that the Board immediately reconvene in closed meeting for the purpose of consultation with the Board counsel pertaining to personnel matters within the jurisdiction of the Board as permitted by § 2.2-3711.A.1 of the *Code of Virginia*. The following non-member will be in attendance to reasonably aid the consideration of the topic: **Mr. Macrae**. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

**Begin Closed
Meeting**

This motion is made with respect to the matter identified as agenda item: **B. 2. Administrative/Personnel/Finance**.

Upon a motion by Dr. Broome, and seconded by Dr. Dickinson, the Board approved by unanimous vote that the closed meeting, as authorized by § 2.2-3711.A.1 of the *Code of Virginia*, be adjourned and that the Board immediately reconvene in open public meeting. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

End Closed Meeting

Upon a motion by Dr. Broome, and seconded by Dr. Dickinson, the

Certificate of Closed

Board made the following certification:

Meeting

WHEREAS, the Board of Accountancy has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 A of the *Code of Virginia* requires a certification by this Board of Accountancy that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Board of Accountancy hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board of Accountancy.

CALL FOR VOTE:

Barbara S. Pocalyko, CPA – Aye
Howard L. Rogers – Aye
Ellis M. Dunkum, CPA- Aye
Harry D. Dickinson, Ph.D., CPA – Aye
Jane M. Little, CPA – Absent
Stephen D. Holton, CPA – Aye
O. Whitfield Broome, Ph.D., CPA – Aye

VOTE

AYES: Six (6)

NAYS: None.

ABSENT DURING VOTE: Ms. Little.

ABSENT DURING MEETING: Ms. Little.

Upon a motion by Vice Chairman Rogers, and seconded by Dr. Dickinson, the Board agreed by unanimous vote that the College

**2. Administrative/
Personnel/Finance**

Tuition Policy be amended to eliminate coverage of “at-will” employees, and that the Board consider any future requests for approval of education tuition for the Executive Director on a case-by-case basis. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

**(cont’d) – Stephen
D. Holton, CPA,
Committee
Chairman**

Upon a motion by Vice Chairman Rogers, and seconded by Dr. Dickinson, the Board approved by unanimous vote the payment of college tuition for the Executive Director as set forth in the Administration/Personnel/Finance Committee Report dated February 4, 2004. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

In Ms. Little’s absence, Dr. Dickinson, a member of the Public Relations Committee, noted that he had nothing new to report to the members.

**4. Public Relations –
Jane M. Little,
CPA, Committee
Chairman**

Ms. Feldman informed the members that the Board’s newsletter was in its final drafting process.

Dr. Broome, as Chair of the Education/Examination Committee, informed the members that he had nothing new to report.

**5. Education/
Examination – O.
Whitfield Broome,
Ph.D., CPA,
Committee
Chairman**

Dr. Broome then reviewed the policies and procedures for the new computer-based CPA exam (CBT) with the other members. The members discussed the following issues: (i) the CPA exam score approval and release, (ii) candidate identification, (ii) special needs candidates, (iii) scheduled breaks, (iv) candidate misconduct or cheating, and (v) unused candidate testing fees.

The members discussed whether the new provisions for the CBT would be the same for candidates who passed the paper-and-pencil CPA exam in past years. The Board confirmed that its current procedure would be that the applicant would have to get licensed in the state where the CPA exam was passed, if the manner in which it was taken does not meet the Board’s requirements. However, when the CBT becomes effective, meaning that candidates can sit for one part at a time, the members agreed, the prior rules for the paper-and-pencil exam would no longer be relevant.

**D. New Business:
1. Question Related
to CBT Provisions**

The Board reviewed the copies of a self-study course for continuing professional education (CPE) in ethics.

**2. Ethics CPE
Course –
Professional**

After its review, the Board emphasized that it does not approve CPE course for Ethics, so such courses must not have any language in its course material or summaries indicating such approval. Ethics CPE courses, the members agreed, must cover all of the information provided in the Ethics Outline, which will be available on the Board's website and renewed annually, whether it is a stand-alone course or a section of a larger course. The Board also agreed that any Ethics course must also include the most current standards of conduct and practice from professional and governmental bodies. An example cited in the discussion was the recent Independence Rule changes to Interpretation 101-3 issued by the American Institute of Certified Public Accountants (AICPA). The course outline, which is good for one calendar year, includes material required by the Board, but is not Board-approved. Further, the members agreed that the newsletter should include information for licensees to check courses that claim to be offering Ethics to make sure that it has the most recent information, and is updated on all current changes.

**Education Services,
LP – Request for
Approval**

Upon a motion by Mr. Dunkum, and seconded by Mr. Holton, the Board approved by unanimous vote to revise the 2004 Ethics Course Outline to include the point about the inclusion of the Independence Rule changes to Interpretation 101-3 issued by the AICPA. The members voting “AYE” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

The Board recessed from 1:42 p.m. to 1:47 p.m.

Board Recess

Vice-Chairman Rogers, as Chair of the Strategic Planning Committee, informed the members that he had nothing new to report.

**B. Committee
Reports (cont'd):**

Ms. Feldman noted that she had spoken with Ray Haas, but no date had been confirmed for the Board retreat. Mr. Hass will be sent information about what the Board intends to get out of the retreat, what its long- and short-range goals are, etc. The members decided that the dates of the Board retreat would be May 20th and 21st.

**6. Strategic
Planning – Howard
L. Rogers,
Committee
Chairman**

The members were also informed that an informal fact-finding conference (IFF) would be held on May 5, 2004, the day before the Board meeting scheduled on May 6th; on May 13th and 14th, the Virginia Society of Certified Public Accountants (VSCPA) will hold its Leadership Conference; and on June 23rd through June 25th, the Eastern Regional meeting of the National Association of State Boards of Accountancy (NASBA) will be held.

Chairman Pocalyko, as Chair of the Executive Committee, told the members that she had nothing new to report.

**7. Executive –
Barbara S.
Pocalyko, CPA,
Committee
Chairman**

The members reviewed the Contract Modification Agreement between the Board and the CPA Examination Services, Inc. (CPAES), a division of NASBA. Ms. Feldman noted for the record the work Mr. D’Amato did on drafting the agreement in consultation with the requisite personnel at NASBA.

**C. Old Business:
1. Board/CPAES
Exam Contract
Modification
Agreement**

Upon a motion by Dr. Dickinson, and seconded by Dr. Broome, the Board approved by unanimous vote the Contract Modification Agreement between the Board and CPAES, to be effective February 6, 2004. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

Mr. Macrae told the members that he brought greetings from the Information Technology Investment Board (ITIB), which met on February 4, 2004, and approved the Executive Summary that was submitted by the Board. He also stated that the ITIB thanked the Board for its support in the transition to the Virginia Information Technologies Agency (VITA). Ms. Feldman noted that the Executive Summary that was submitted to the ITIB was due to the great efforts of several Board members, in particular, Mr. Dunkum.

**2. VITA Transition
Update**

Upon a motion by Mr. Dunkum, and seconded by Dr. Broome, the Board approved by unanimous vote the Executive Summary between VITA and the Board of Accountancy. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

Dr. Broome noted that his review of the material submitted by the Foreign Credentials Service of America (FCSA), to be one of the foreign academic credential evaluation firms approved by the Board, had raised concerns about whether this firm should be approved. Specifically, he expressed concerns about how FCSA does not require

**D. New Business
(cont’d):
3. Foreign
Credentials Service**

candidates to send in original college transcripts, just photocopies will suffice.

**of America –
Request for
Approval**

Upon a motion by Dr. Broome, and seconded by Mr. Dunkum, the Board agreed by unanimous vote to reject the Foreign Credentials Service of America's request for approval at this time. The members voting "AYE" were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

Mr. Dunkum reviewed the draft job description of the CPA Consultant with the members. After their discussion, the members agreed that issues about the staff would be discussed at the Board retreat in May, and expressed their appreciation to Mr. Dunkum for his work on this matter.

**4. CPA Consultant –
Ellis M. Dunkum,
CPA, Board
member**

The Board reviewed the statistics reports, but took no action.

E. Board Reports:
1. Statistics:
**a. Applications
Processed**
**b. CPA License
Holders and Firm
Registrations
Monthly Totals**
**c. Complaints
Processed**
d. CPE Report

The Board reviewed the financial statements for FY2004, but took no action.

2. Financial:
**a. FY2004 – Period
ending December
31, 2003**

The Board agreed to the schedule for its next three meetings in 2004: (1) Thursday, May 6, 2004; (2) Wednesday, June 9, 2004; and (3) Thursday, August 5, 2004.

F. Future Meetings

Chairman Pocalyko asked the members to complete their conflict of interest forms.

**Conflict of
Interest Forms**

Chairman Pocalyko asked the members to complete their travel

Travel Expense

expense vouchers.

Vouchers

With no further business coming before the Board, upon a motion by Dr. Dickinson, and seconded by Mr. Holton, the meeting was adjourned by unanimous vote at 3:43 p.m. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Mr. Holton and Dr. Broome.

Adjournment

APPROVED:

Barbara S. Pocalyko, CPA, Chairman

COPY TESTE:

Nancy Taylor Feldman, Executive Director